

U.S. v. Joseph F. Skowron III
Plea of Yves Benhamou

Prepared Remarks for U.S. Attorney Preet Bharara
April 13, 2011

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today we announce yet another round of insider trading charges, this time involving the health care industry. The defendants are a hedge fund manager and a consultant for a biopharmaceutical company. Both men are also prominent medical doctors.

- The first is Joseph, or “Chip,” Skowron, a doctor by training and a former portfolio manager who was responsible for making investment decisions for a significant hedge fund;
- The other is Dr. Yves Benhamou, a prominent French medical doctor and professor, who worked on the side as a paid consultant to Human Genome Sciences, Inc. (or “HGSI”). Dr. Benhamou was advising Human Genome on clinical drug trials testing the efficacy and safety of a treatment for hepatitis C, a debilitating liver disease. Dr. Benhamou, who was previously charged, pled guilty two days ago to insider trading and obstruction crimes and is now cooperating with the government.

The charges unsealed today describe yet another example of blatant cheating of both the market and the ordinary investor; another example of tens of millions of dollars in benefit thanks to secret and stolen information; and another example not only of insider trading, but also a cover up.

As described in the complaint, today's case is also an example of insider trading gone global, as the alleged trail of cash and trade of information took the defendants from Manhattan to Milan and from Boston to Barcelona.

As alleged, when Skowron needed inside information, Dr. Benhamou was always on call – helping Skowron and his hedge fund illegally benefit to the tune of \$30 million.

Specifically, in exchange for cash and other benefits, Dr. Skowron allegedly induced Dr. Benhamou to disclose sensitive and secret information about an ongoing clinical drug trial involving the potential of the drug Albuferon in treating hepatitis C.

What’s worse, when the SEC came calling and began to investigate the suspicious trading in Human Genome, Skowron allegedly attempted to cover up his conduct by urging the French doctor to make false statements.

As Benhamou admitted during his guilty plea earlier this week, and as alleged in today's complaint, doctors Skowron and Benhamou agreed to lie first to the hedge fund's lawyers and then to the SEC. All of these lies are now exposed to the light of day.

Before I review the charges in more detail, let me introduce the other speakers here today.

I am joined today by Jan Fedarcyk, the Assistant Director in Charge of the New York Division of the FBI. Also here are Diego Rodriguez, Special Agent in Charge of the FBI's criminal division; and Pete Grupe, Assistant Special Agent in Charge.

Also here is Lorin Reisner, Deputy Director of the Securities and Exchange Commission's Enforcement Division. I want to thank Lorin, Rob Khuzami, director of Enforcement, and their dedicated team for their hard work and assistance.

I especially want to thank the prosecutors from my office. They are Christopher Garcia and Marc Berger, who head up our Securities and Commodities Task Force, and the AUSAs handling today's prosecutions, Pablo Quiñones, David Massey, and Reed Brodsky.

Let me now take a moment to talk about the particulars of today's charges. First, the insider trading charges.

As I mentioned, Dr. Skowron allegedly developed a financial relationship with Dr. Benhamou in order to get inside information about the potential of Albuferon to treat hepatitis C.

Skowron allegedly developed his corrupt relationship with Benhamou by, among other things, making a series of bribe payments to him in hotels and bars around the world. As detailed in the Complaint, between April 2007 and April 2008, Skowron allegedly met with Dr. Benhamou in places like Spain, Italy, and paid him tens of thousands of dollars.

Starting in early 2007, so long as that clinical drug trial looked promising, Skowron kept investing his hedge fund's money in Human Genome stock, expecting a large upside eventually.

In fact, by December 2007, his hedge fund owned some \$65 million of that company's stock.

But as the documents detail, in late 2007 and early 2008, things took a turn for the worse, and Dr. Benhamou repeatedly provided Skowron with material and non-public information about a stunning setback in the Albuferon drug trial – two patients had suffered serious side effects and Human Genome was going to halt a portion of the drug trial.

That would mean a significant hit to the company's stock. And so, Skowron started dumping shares. Because he allegedly had his own medical doctor who was an insider at the company, Skowron didn't need to get a second opinion.

But the story doesn't end there. Let me briefly mention the obstruction charges now pending against Skowron and to which Dr. Benhamou has already pled guilty.

In February 2008, after learning that the SEC was investigating the hedge fund's suspicious trading in Human Genome stock, Skowron allegedly called Dr. Benhamou in Paris. He then allegedly encouraged Dr. Benhamou to deceive the hedge fund's own lawyers by falsely telling them that they had never discussed non-public information about the drug trial. Benhamou did as he was told.

And when Skowron allegedly paid Benhamou \$10,000 in cash in a Milan hotel bar, he gave assurances that the SEC investigation would end soon.

Benhamou later repeated the same false story he told the hedge fund's lawyers to the SEC in May 2009. And Skowron allegedly gave similarly false, sworn testimony to the SEC in August 2009 in an effort to obstruct the SEC's investigation of the hedge fund's trading in Human Genome.

This case shows, once again, that there are consequences for the casual breaking of the laws against insider trading; and there are consequences for lying to the SEC and obstructing justice.

Dr. Skowron is now the 47th person charged with insider trading crimes by this Office in the last 18 months. And Dr. Benhamou is the 31st person to plead guilty.

Meanwhile, in recent weeks, significant insider trading cases have also been brought in the federal courts of New Jersey, Maryland, and elsewhere.

I wish I could say that we were almost finished investigating and prosecuting pervasive insider trading. But, sadly, we are not.